

# MSCI ESG Intangible Value Assessment



MSCI ESG Intangible Value Assessment (IVA) provides research, ratings and analysis of corporate management of environmental and social risk factors. Through an in-depth comparison against sector peers, MSCI ESG IVA can reveal ESG-driven investment risks or opportunities that may not be captured by conventional analyses.

## Key Features and Benefits

**Broad Coverage Universe:** MSCI ESG IVA is now available on MSCI ESG Manager platform and contains 70 Industry Reports with ratings on over 2,000 global companies, including the MSCI World Index. MSCI ESG IVA Ratings are 'asset class neutral' and can be applied to equity or bond portfolios.

**Understand Risks and Opportunities that may not be captured by Conventional Metrics:** MSCI ESG IVA identifies key ESG issues that hold the greatest potential risk or opportunity for each industry sector. The product also provides analysis for any impact that these issues and risks may have on corporate financial performance.

**Ratings and Company Research:** MSCI ESG IVA scores and ranks company management of key issues relative to sector peers using a best-in-class ratings system, on a seven point scale from 'AAA – CCC'. The profiles also provide analysis, data points, and granular scoring on environmental, social and governance metrics.

**Long-term Track Record:** The research product provides 12+ years of ratings history for back testing and longitudinal analysis.

**Support the Integration of ESG into Investment Analysis:** Integrating ESG into the investment process is the first requirement for PRI signatories and is increasingly being mandated and scrutinized by asset owners. MSCI ESG IVA looks at the financial relevance of ESG factors and is the right tool for meeting ESG integration requirements.

**Access Industry Reports:** MSCI ESG IVA Industry Reports provide insights on the Key Issue selection process as well as on how these Key Issues are assessed. The Industry Reports also outline changes to the ESG risk landscape by sector.



## MSCI ESG IVA Seeks to Answer The Following 3 Key Questions:

**Question 1:**

What are the key ESG risks and opportunities applicable to each sector?

**Question 2:**

Do companies have ESG risk management strategies commensurate with the ESG risks they face?

**Question 3:**

Do companies have strategies to capture potential opportunities in the ESG space?

## Product Methodology

### MSCI ESG IVA stands out for both the Breadth of its Coverage and the Depth of its Analysis.

MSCI ESG IVA rates and analyzes over 2,000 global companies. Analysts assess thousands of ESG data points across 34 key ESG issues analyzing the intersection between a company's ESG impacts and its core business, focusing on those issues that create significant financial risks and opportunities for the company.

### MSCI ESG IVA applies a 3-phased Analysis Methodology:

#### • Step 1: Identify Key Trends and Risks for Each Industry

MSCI ESG IVA identifies a broad range of key ESG trends and issues where regulation or under / outperformance can create costs or revenue opportunities, impacting companies' abilities to produce or sell their products.

### MSCI ESG IVA - Key Issues

Environment	Social	Governance
<ul style="list-style-type: none"><li>• Carbon Emissions</li><li>• Upstream Carbon Emissions</li><li>• Energy Efficiency</li><li>• Insuring Climate Change Risk</li><li>• Water Stress</li><li>• Biodiversity and Land Use</li><li>• Raw Material Sourcing - Environmental</li><li>• Financing Environmental Impact</li><li>• Toxic Releases</li><li>• Packaging Material and Waste</li><li>• E-Waste</li><li>• Opportunities in Environmental Technologies</li><li>• Opportunities in Green Building</li><li>• Opportunities in Renewable Energy</li></ul>	<ul style="list-style-type: none"><li>• Labor - Operational</li><li>• Human Capital Development</li><li>• Health and Safety</li><li>• Labor - Supply Chain</li><li>• Raw Material Sourcing - Social</li><li>• Product and Service Quality</li><li>• Product Safety - Chemicals</li><li>• Product Safety - Financial</li><li>• Privacy and Data Security</li><li>• Responsible Investing</li><li>• Insuring Health and Demographic Risk</li><li>• Opportunities in Health and Nutrition</li><li>• Access to Communications</li><li>• Access to Finance</li><li>• Access to Healthcare</li></ul>	<ul style="list-style-type: none"><li>• Corruption &amp; Instability</li><li>• Financial System Instability</li><li>• Ethics &amp; Fraud</li><li>• Anti-competitive Practices</li><li>• Corporate Governance</li></ul>

#### • Step 2: Evaluate Risk Exposure and Risk Management

MSCI ESG IVA analysts measure corporate exposure to each key issue. The analysis then takes into account any efforts that corporations make to manage and mitigate its risk exposure.

#### • Step 3: Rate and Rank Each Company against Sector Peers

Using a sector-specific key issue weighting model, companies are rated and ranked in comparison to their sector peers. Each sector is subject to annual review and updated on a rolling basis as well as in response to major events.

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**MSCI** About MSCI

MSCI Inc. is a leading provider of investment decision support tools to investors globally, including asset managers, banks, hedge funds and pension funds. MSCI products and services include indices, portfolio risk and performance analytics, and governance tools.

The company's flagship product offerings are: the MSCI indices with approximately USD 7 trillion estimated to be benchmarked to them on a worldwide basis; Barra multi-asset class factor models, portfolio risk and performance analytics; RiskMetrics multi-asset class market and credit risk analytics; MSCI ESG (environmental, social and governance) Research screening, analysis and ratings; ISS governance research and outsourced proxy voting and reporting services; FEA valuation models and risk management software for the energy and commodities markets; and CFRA forensic accounting risk research, legal/regulatory risk assessment, and due-diligence. MSCI is headquartered in New York, with research and commercial offices around the world.

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<sup>1</sup> As of June 30, 2011, based on eVestment, Lipper and Bloomberg data.